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PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLN RUEHLZ
RUEHPW RUEHROV RUEHVK RUEHYG
DE RUEHAH #0247 0461300
ZNR UUUUU ZZH
P 151300Z FEB 08
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 0298
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
RUCNCIS/CIS COLLECTIVE PRIORITY
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 3399
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1217
RUEHKO/AMEMBASSY TOKYO PRIORITY 1084
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1653
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS ASHGABAT 000247

SIPDIS

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB
COMMERCE FOR HUEPER
ENERGY FOR EKIMOFF
TREASURY FOR BAKER/LANIER

E.O. 12958: N/A

TAGS: [PGOV](#) [EFIN](#) [TX](#)

SUBJECT: TURKMENISTAN: UNIFIED EXCHANGE RATE PRACTICES GAINING
DEFINITION

REF: ASHGABAT 0230

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: During January and the first week of February, the government has maintained the commercial exchange rate of 20,000 manat per dollar and eliminated almost all black-market foreign exchange transactions by barring street exchange operations and cutting off the supply of dollars to the black market. On February 1, foreign and local private companies, which had been the main suppliers of dollars to the black market, were officially allowed to convert their currency at the commercial rate. However, the much lower official exchange rate is still applied to manat transactions of dollar-earning companies. END SUMMARY.

UNCERTAINTY OVER EXCHANGE RATE DETAILS PERSISTS

13. (SBU) On February 1, the Central Bank of Turkmenistan (CBT) issued a letter clarifying the currently applied foreign currency conversion rules. The letter states that foreign companies, selling goods and providing services in foreign currency in Turkmenistan, have to convert foreign currency for all manat transactions -- including payment of salaries, taxes and duties, and other mandatory fees -- at the official rate established by the Central Bank of Turkmenistan, (NOTE: The current official rate is 6,250 manats/\$1. END NOTE.) Post understands that state-owned entities still convert manats at the official rate.

14. (SBU) Diplomatic missions and international organizations, foreign companies that do not sell goods or provide services in foreign currency in Turkmenistan, domestic private companies and organizations, and private businessmen and individuals may now use the commercial rate for all non-cash financial transactions. (NOTE: The current commercial rate is 20,000 manats/\$1. END NOTE.) However, the CBT has not yet clarified how the private sector operating in manats can purchase non-cash foreign currency.

CASH MARKET IS SOARING

¶5. (SBU) The government authorized the opening of new exchange points operated by local banks, including at major markets and shopping centers. Such exchange points are visibly busy, and Embassy personnel have witnessed cash operations involving individuals and private businessmen exchanging dollars for manat and vice versa. (NOTE: The current regulations allow private businessmen to conduct operations without opening bank accounts. END NOTE.) Money changers still attempt to engage in the dollar exchange activity, but cannot offer rates compatible with state-sanctioned exchange points. Such individuals are more successful at locations where official exchange booths are unavailable and at night after the exchange points are closed.

¶6. (SBU) COMMENT: The large difference between the official and commercial rates remains and continues to discriminate against foreign companies operating in dollars. The existing dual exchange rate also continues to support economic inefficiency in many sectors, including the agricultural and textile sectors, by providing state agencies and companies in those sectors with cheaper dollars at the below-the-market rate of 6,250 manat/1\$. Foreign exchange revenues from the petroleum sector -- Turkmenistan's major source of foreign currency -- continue to subsidize such inefficient practices, as well as the massive construction program of President Berdimuhamedov. END COMMENT.

HOAGLAND